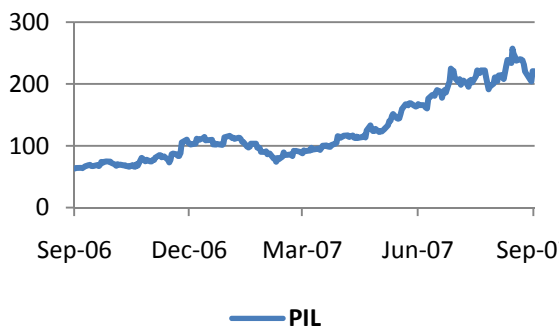


Recommendation	HOLD
CMP (01/10/2007)	Rs.218
Sector	IT

**Stock Details**

BSE Code	532672
NSE Code	PARADYNE
Market Cap (Rs. cr)	237
Free Float (%)	32.07
52- wk HI/Lo	270/62
Avg. volume BSE	47114
Face Value	Rs.10
Dividend (FY07)	12%
Shares o/s (No.)	1.087

Relative Performance	1Mth	3Mth	1Yr
PIL	4.8%	31.8%	248.5%
Sensex	15.9%	19.2%	39.7%



Shareholding	%
Promoters Holding	67.93
Institutional (Incl. FII)	1.72
Corporate Bodies	7.41
Public & others	22.94

- We have recommended PIL at Rs.159 in Jun-07 with target price of Rs.235. Since our target price is already achieved, we met the management and attended AGM of PIL to review our recommendation.

- PIL has enriched its Board with few high profile personalities

**Mr. Ved Prakash Arya**

An Engineer and MBA from IIM Ahmedabad and AMP Harvard, was the COO & director of Pantaloon Retail (India) Ltd and driving force behind setting up Pantaloon Group's Real Estate Venture Fund Kshitij & Horizon. He is the founder and head of Milestone Capital, a real estate fund company which along with IL&FS is launching Real Estate Fund.

**Mr. Avtar Saini**

Is a Masters in Electronic Engineering from the University of Minnesota. He had worked with Intel from 1982 to 2004 and was awarded 7 U.S. patents for his work in microprocessor design.

- PIL had acquired Link Group International Inc. USA (LGI) last year and integration with PIL is smooth. PIL is expected to benefit from cross selling PIL services to LGI and transferring on site work of LGI to offshore service centre of PIL.

- PIL has further planned to grow organically and by acquisition in the current year as well.

Year	Sales (Rs. cr.)	Growth	EBIDTA (Rs. cr.)	EBIDTA (%)	PAT (Rs. cr.)	PAT (%)	EPS (Rs.)	P/E(x)	P/BV
2007	167.8	93%	26.3	15.7%	20.1	12%	18.5	11.8	4.93
2008E	235.4	40%	37.8	16.1%	28.0	12%	25.7	8.5	3.20
2009E	323.0	37%	48.1	14.9%	36.3	11%	33.3	6.5	2.18

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- PIL has given Guidance for consolidated revenue of Rs.235-255Cr for FY08 which we believe is achievable. This will be further increased by any acquisition.
- We do not expect margin of PIL to come under pressure on account of appreciation of Rupee as contribution of US revenue in stand alone revenue of PIL is only 16% and LGI out sourcing to PIL is at initial stage. The marginal impact of Rupee appreciation will be met by leveraging of SG&A, offshore transfer of LGI work and improved utilization. We expect operating margin to improve by 40 basis points in FY08.
- At CMP of Rs.218 PIL is trading at 8.5x and 6.5x FY08E & FY09E EPS of Rs.25.7 & Rs.33.3 respectively without considering benefit of any future acquisition, which looks quite attractive.
- We feel PIL is in high growth trajectory and recommend to HOLD the stock.

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